



# Home Buying 101

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Here, you'll learn the advantages of entering the housing market with confidence and how to find the home that's right for you. If you're looking for tools to find a great real estate agent, the right mortgage product and the knowledge to achieve your financial goals, you're in the right place.

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# Home Buying 101

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# Buying Your First Home

## Step into the housing market with confidence.

This guide to buying your first home can help you figure out which home will be right for you, as well as everything that leads up to it, like finding the right real estate agent and a mortgage that fits your budget. Get excited, because the next stage of your life begins now!





# Are You Currently Renting?

## Leaving your rental to buy a home is a big step.

Your landlord is responsible for repairs and upkeep. And depending on your lease, you may not even be paying for electricity or water. On the other hand, if your current residence is growing in value, then your landlord is building equity through your monthly payments – not you.

Homeownership offers financial benefits that renting does not. While you'll want to consult a tax advisor, you'll learn that the interest you pay on your mortgage is tax deductible, as are some closing and moving costs. If you pay points on your loan to reduce the interest rate on your mortgage, that amount is also tax deductible for that year. When you decide to buy a home, you're making a decision to invest in your future.

## Ace your transition.

To avoid paying penalties, renters should wait to begin house hunting to when they're near the end of a lease period or maybe it's already expired. You may be able to buy a house with immediate occupancy and move within a few weeks. On the flip side – you may fall in love with a house whose occupants aren't quite ready to vacate.

Are you open to a fixer-upper? You might be glad to live in your rental for a short period of time while working on your new home. It's much quicker to update a house while it's empty and not filled with boxes.

When shopping for a home, be as flexible as your finances will allow so you're not locked into any one situation. Call a Quicken Loans Home Loan Expert to discuss how you might be making your move.

## Are you ready?

Buying your first home is a big deal, and we want to help you to enter the market with confidence. We'll teach you the ins and outs of the mortgage process, so when it's time to make an offer on your new home, you know exactly what to expect. After all, a home is one of the largest purchases you may ever make, and you're not going to want any surprises.

# Your Crash Course in Mortgage Speak

Before we get into the mortgage portion of the guide, we thought we'd provide some definitions of terms you'll come across as you read further.

## **Mortgage**

A loan you take out to finance the purchase of a home. It's also a legal contract stating that you promise to pay back the loan on a monthly basis. Your monthly payment typically goes toward paying back the principal (which is the basic loan amount) and interest. Your monthly payment may also include money for your taxes and insurance.

## **Adjustable Rate Mortgages (ARM)**

ARMs typically have an initial fixed-rate period (usually five, seven or 10 years). After the fixed-rate period, your interest rate may change once per year – either up or down depending on market conditions. ARMs are almost always lower in rate than fixed loans and can offer huge savings to first-time home buyers, especially those who don't plan to stay in their home for more than 10 years.

## **Amortization**

The gradual reduction of debt over the term of the loan. Amortization occurs through repayment of principal.

## **Annual Percentage Rate (APR)**

The annual cost of a mortgage including interest and other expenses or charges such as private mortgage insurance and points expressed as a percentage.

## **Appraisal**

A written estimate of a property's current market value.

## **Closing**

The conclusion of your real estate transaction when legal documents are signed and funds are disbursed.

### **Closing Costs**

Expenses over and above the cost of the property, which can include items such as title insurance, appraisal, processing, underwriting and surveying fees.

### **Credit Report**

A report from an independent agency detailing credit history, as well as previous and current debt to help determine creditworthiness.

### **Credit Score**

A measure of credit risk calculated from a credit report using a standard formula that predicts an applicant's creditworthiness based on credit card history, outstanding debt, type of credit, bankruptcies, late payments, collection judgments, too little credit history and too many credit lines.

### **Deed**

A legal document that transfers property from one owner to another.

### **Down Payment**

The amount of your home's purchase price you pay upfront.

### **Earnest Money**

Deposit made by a buyer toward the down payment to show good faith when the purchase agreement is signed.

### **Equity**

The monetary difference between your mortgage balance and the actual market value of your home.

### **FHA Loan**

Adjustable or fixed-rate loan insured by the Federal Housing Administration. FHA loans are designed to make housing more affordable, particularly for first-time home buyers.

### **Fixed-Rate Mortgage**

Mortgage with an interest rate and payment that doesn't change over the term of the loan. Should the current market interest rate fall below your fixed rate, contact your Home Loan Expert right away to discuss the benefits of refinancing.

### **Good Faith Estimate**

Written estimate of the closing costs the borrower will likely have to pay to obtain the loan.

### **Interest-Only Loan**

Mortgage that gives you the option of paying just the interest, or the interest and as much principal as you want in any given month during an initial period of time.

### **Interest Rate**

The percentage rate that a lender charges to borrow money.

### **Lock or Rate Lock**

A lender's guarantee of an interest rate for a set period of time. The lock protects you against rate increases during that time.

### **Points or Discount Points**

Points are upfront fees paid to the lender at closing. Typically, one point equals one percent of your total loan amount. Points and interest rates are inherently connected. The more points you pay, the lower your interest rate.

### **Principal**

The balance (not counting interest) owed on a loan.

### **Private Mortgage Insurance (PMI)**

Insurance to protect the lender in case the borrower defaults on the loan. With conventional loans, PMI is typically not required with a down payment of 20% or more of a home's purchase price.

**Term**

Number of years you have to pay back the loan.

**Title**

Document that shows ownership of a property.

**Title Search**

Examination of municipal records to ensure that the seller is a property's legal owner and that there are no liens or other claims against the property.

**Underwriting**

In mortgage lending, the process of determining risk involved in a particular loan and establishing suitable terms and conditions for the loan.





# How Much Home Can You Afford?

Ultimately, you're the only one that can answer this important question, but our interactive calculators at [QuickenLoans.com](https://www.QuickenLoans.com) can help too. How much are you comfortable paying on your mortgage every month? What are your non-mortgage expenses for transportation, utilities, insurance, groceries and other living expenses? Considering all expenses will give you a better idea of how much you can afford.

## **It's time to do some math.**

Don't forget to leave room in your monthly budget for home maintenance, taxes, association fees (if they apply) and emergencies. Talking with your Home Loan Expert from Quicken Loans can help you decide your ideal price range, and the amount of money you'll need to borrow to purchase your first home.

## **Credit reports are financial report cards for adults.**

Your credit report determines the three-digit credit score used by lenders to determine which type of loan you'll qualify for. There are many websites that provide free credit scores and tools on how to improve your score if needed. Review your credit report carefully for discrepancies and be sure to clear up any errors by calling the creditor or the credit bureau. For more credit information, call a Quicken Loans Home Loan Expert.

Before you start your house hunt, we encourage you to request a preapproval letter (PAL). Getting a PAL lets you know your approved price range and gives you a powerful negotiation tool. We'll pull your credit and ask you a few questions about your income, financial assets and any debt you may carry. The loan amount your PAL shows is preapproved, meaning it's subject to the findings of your formal underwriting review.

For added strength in bargaining, you can easily adjust the loan amount on your PAL down from your highest approval amount. Here's why you may want to lower that number:

Say for example, you're preapproved for \$200,000, but you only want to make an offer of \$150,000. You can adjust your preapproval letter to show that you're preapproved for \$150,000. This way, the seller sees you can afford the home, but won't know how much more you could technically offer. Just like in poker, you never want to show your hand!

# A Good Real Estate Agent Can Help Guide You

## An agent can save you time.

Real estate agents keep you focused on homes that meet your specifications, in neighborhoods that are desirable to you and in your price range. You may get an agent referral by family or friends, but take the time to interview a few agents before you make a commitment. Make sure you're comfortable with your choice, because finding the right home takes time.

## Here are some questions you might ask an agent:

- How long have you worked in real estate?
- Is this your full-time job?
- Are you familiar with the area where I want to look?
- How many home sales did you participate in last year?
- Will you be present at the closing?

A good real estate agent will communicate with you frequently, suggest homes and neighborhoods for you to scout, and will notify you when new, relevant listings arise.

## Find a real estate agent you can trust.

Ask your Home Loan Expert about In-House Realty, a Quicken Loans partner. In-House Realty provides real estate services in all 50 states, exclusively to Quicken Loans clients. You can be confident that you're getting the best service in the industry.

## Here are some benefits of working with In-House Realty:

- Your In-House Realty agent will be an expert on real estate in your specific area of interest.
- Your agent will negotiate the best possible price for your home.
- At initial contact, your agent will already know what you're looking for in a home.
- An In-House Realty team member will make sure you're receiving the best possible service through the entire process.

## Sellers will love you!

When you have your PAL and a great real estate agent, you're ready to shop for a home. You'll be far more prepared than other buyers in your market, and sellers will be thrilled to show you their homes.

### House hunting begins with a town or neighborhood.

There's much more to consider in your search than the home itself. This list is a good place to start when deciding what's most important to you.

- Proximity to work
- Distance to shopping or restaurants
- Medical care availability
- Traffic flow, especially during high volume hours
- Quality of neighborhood schools
- Distance to schools, parks and libraries
- Desirability of the area (Are homes holding their value?)

### Consider your lifestyle.

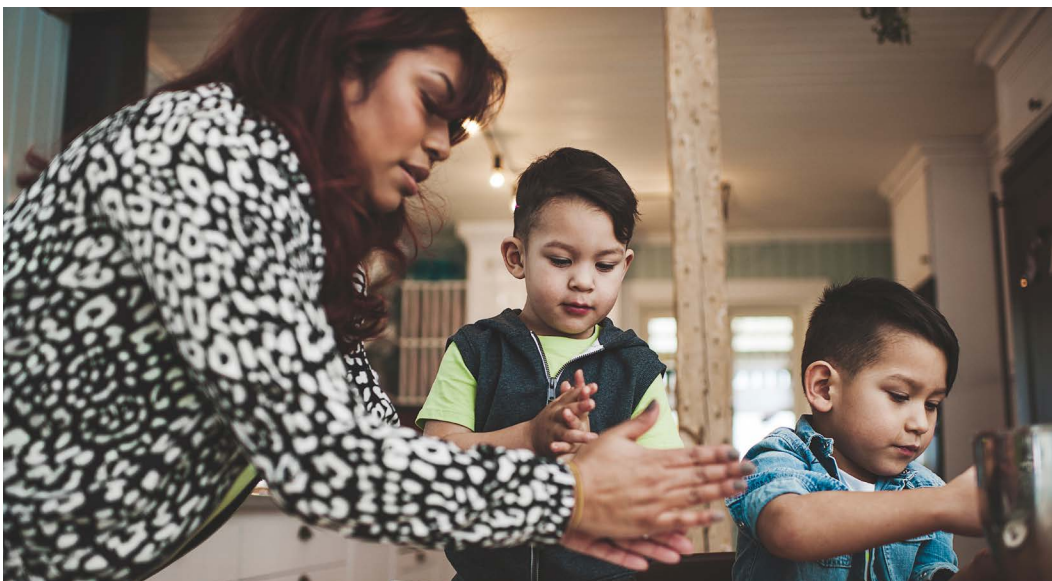
Your lifestyle needs can help you remain focused on finding the right home. You may need office space or room to entertain in your new home. Are you looking for a home to grow into?

### Look down the road.

If buying a home with a nearby school option isn't beneficial to you now, it could be great for home resale.

### Stay flexible.

Prioritize what you love about your home and accept that you may not find every feature. You can always add those features at a later date.



# You've Found the Home You Want

Let's say you and your agent have decided to make an offer on a home. You'll have to weigh some important factors that might affect your offer amount:

- The home's asking price
- Recent area home sales
- Market conditions: Has the home been on the market for a while?
- How badly do you want the house?
- The condition of the home

## Here's where your preapproval comes in.

Sellers know that an offer from a preapproved buyer is solid. Your PAL gives you an advantage over home buyers who wait until after they find a home to get preapproved. Sellers also appreciate that buyers like you can close quicker with a smoother home loan process.

Your real estate professional will prepare the documents that will make your offer official and will present it to the seller or to the agent who represents the seller. Usually the seller will have a few days to make a decision. Here are a few definitions to help explain this process:

### Purchase agreement

The purchase agreement is a binding document that your agent will supply that indicates the amount of your offer. It may also include details like which appliances will stay with the home, and when you'd like to take possession.

### Earnest money

Earnest money is a deposit showing your commitment to buying a home. Typically, the deposit is a small percentage of the asking price that's later applied to your down payment. Your agent will hold the check/deposit (made out to the seller) until the offer is accepted.



## Counteroffer

The counteroffer is the seller's response to your offer - made in part to continue negotiations toward a purchase agreement. When your agent presents the seller with your offer, sellers can do one of three things:

- Agree to your offer
- Decline your offer
- Make a counteroffer

Sellers can counteroffer with their desired amount - typically within 24 to 48 hours. At this point you can either agree with their terms or make another counteroffer. This process continues until you come to an agreement.



# Getting the Best Home Inspection

## **Offers are contingent upon a home inspection.**

For your own protection, the inspection is your chance to hire a qualified professional home inspector. A home inspector will go over every inch of the home you want to buy and bring any concerns to your attention.

## **Find an inspector.**

Ask friends, family and your agent for recommendations. You can search for inspectors in your area on the American Society of Home Inspectors website, Ashi.com. Be sure to find someone who has experience and references and who is fully licensed and insured.

The cost will vary but can range from \$250 to \$600, depending on the location, property and optional tests added to the inspection. Most homeowners will honestly say that a thorough home inspection is worth every penny.

A thorough inspection includes heating, cooling, septic systems, plumbing, electrical, walls, floors, ceilings, foundation, roof, gutters, downspouts, insulation, ventilation, major appliances and the garage. You may opt to pay extra for tests such as radon or carbon monoxide levels. Your home inspection professional is equipped to administer tests and give you information on the results.



### **Plan on being present during the inspection.**

You'll learn not only about the condition of the home but also how everything works, and you can ask questions as you go along. The inspection is a good time to thoroughly look at the house and perhaps take measurements for window treatments, carpet or appliances you plan on replacing. At the end of the inspection, the inspector will review their findings with you.

### **The inspection report rarely comes back perfect.**

Most inspections will leave you with an action list, perhaps several things that will need attention after you move in. If there are issues that need attention, you can request that the seller make needed repairs. You also have the option to renegotiate the purchase price to absorb the repair costs. If the inspection reveals more than you might have bargained for in the way of repairs or damage, you can withdraw your offer, get your deposit back and resume your house hunting.

### **You'll need homeowners insurance.**

Without homeowners insurance, you can't buy a home. Lenders won't let you borrow without it. In order to complete the mortgage process, you'll have to provide proof of insurance at your closing.

It's important that the lender's investment is fully insured, as well as your equity in the home and your personal possessions. Start exploring your home insurance options with the company that insures your car. Often insurance companies offer discounts when you have multiple policies. Shop around, talk to agents and do your homework. You may find a significant price difference for similar coverage between insurance providers.

# It's Almost Time to Close Your Loan

The closing is the completion of the real estate sale and mortgage transaction and is the official transfer of possession from the seller to the buyer. It's customary to take a final walk-through of the property shortly before the closing to ensure the home is still in good condition.

## **Review and acknowledge your Closing Disclosure.**

At least three business days before your closing, you'll receive your Closing Disclosure. This document outlines the costs you'll pay at closing. You must acknowledge you've received it, or your closing will be delayed.

## **What can I expect on closing day?**

You'll be asked to bring a valid driver's license, a certified check (if applicable) and any additional documents your situation may require. There may be quite a few people at your closing: the seller, the lender, you, the seller's mortgage holder, the real estate agent, the transfer agent (if it's a co-op), the managing agent (if it's a condo) and the title company representative.

## **What exactly are closing costs?**

Costs vary depending on your state. For instance, title companies may handle your closing, however, some states require an attorney to conduct the closing. In those states, borrowers aren't required to pay a title company a closing fee.



# Sample Closing Costs

Appraisal	\$225-\$500
Credit Report	\$15-\$30
Processing Fee	\$575-\$1,000
Escrow Deposit for Taxes and Insurance	Varies widely
Transfer of Taxes	Varies widely by state and municipality
Loan Discount Points	Generally 0-2% of loan
Title Company Closing Fee	\$150-\$400
Buyer's Attorney Fee	\$400 and up
Lender's Attorney Fee	\$150-\$500
Title Insurance (Lender's Policy)	Generally \$175-\$875
Homeowners Insurance	Varies, \$300 and up
Underwriting Fee	\$195-\$795
Survey Fee	\$150-\$400
Home Inspection	\$225-\$600
Pest Inspection	\$75
Down Payment	Varies widely
Flood Determination/Life of Loan Coverage	\$19.50
Recording Fees	Varies, generally \$50-\$150
Courier Fee	\$30
Prepaid Interest	Varies on loan amount, interest rate, closing time
Application Fee	\$0-\$500 (Fee applied toward closing costs)

### **Confirm the date your new home will be vacated.**

Before the closing, make sure you both agree on the timing for the vacancy of the home. If the seller asks to stay in the home after the closing, you're entitled to negotiate rent payment for the time they stay in the home.

### **Here's what to expect at the closing table.**

You'll sign documents that put you in possession of the home, as well as sign your mortgage documents. Then your mortgage company representative will pay the seller for your home on your behalf. You'll be given the keys to your home and payment information for your mortgage. Be sure to keep your closing documents in a safe place for future reference.



# You Can Count on Quicken Loans for Life

Your Quicken Loans Home Loan Expert is not only here to help you manage your home financing today, but will also help you to achieve your long-term goals. After all, life changes, and your mortgage should change with it.

As a service to our clients, we'll keep you informed of industry trends and new home financing options long after your closing. We're always tracking current mortgage rates, and we'll alert you if the market ever moves to benefit you.

Any time you have questions regarding home financing, we encourage you to contact your Home Loan Expert. Quicken Loans will continue to give you the service you deserve for the life of your loan.



# Common Real Estate Abbreviations

Real estate agents have a language all their own. The following is a key to help you interpret some of the common abbreviations you'll see in real estate listings.

A/C	Air conditioning
Appl	Appliances
BA or Bth	Bathroom
BR or Bdrm	Bedroom
BSMT	Basement
CH/A or CHA	Central heat and air
DR	Dining room
DW	Dishwasher
EIK	Eat-in kitchen
f-bmt	Finished basement
fncl yd	Fenced yard
FP	Fireplace
GA or Gar	Garage
LR	Living room
PL	Swimming pool
SF or sq ft	Square feet
WBFP	Wood-burning fireplace
W/D	Washer and dryer
WW	Wall-to-wall carpeting



# Contacts at a Glance

Here are a few resources you'll want to keep handy:

## **Credit Bureaus and Information**

Equifax

[Equifax.com](https://www.equifax.com) • (866) 349-5191

Experian

[Experian.com](https://www.experian.com) • (888) 397-3742

TransUnion

[TransUnion.com](https://www.transunion.com) • (800) 916-8800

## **Home Inspectors**

[Ashi.com](https://www.ashi.com) • (847) 759-2820

Quicken Loans

[QuickenLoans.com](https://www.quickenloans.com) • (800) QUICKEN

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